

PERSONAL FINANCIAL STATEMENTS

To get a true picture of your personal financial well-being, why not view it as a business does? Use a cash flow statement and balance sheet to find the overall net worth of “Me, Inc.” The graphic below can help you get started.

STEP 1.

CASH FLOW STATEMENT

Measures your cash inflows and outflows to show your net cash flow for a given period.

INCOME – CASH INFLOWS (AFTER TAX)



- Salary & Bonus
- Interest from Savings Accounts
- Investments
- Other Income – Business or Partnership Distribution, Real Estate, Trust

A good debt-to-income ratio would be at or below

36%¹

of your pre-tax income.

EXPENSES – CASH OUTFLOW



FIXED – any expenses that do not change from period to period

- Mortgage
- Insurance
- Property Taxes
- Auto Loan/Lease
- Health
- Groceries
- Utilities

VARIABLE – any expenses that are within your control

- Dining Out/Entertaining
- Vacation and Travel
- Transportation/Parking
- Gym/Country Club Memberships
- Clothing
- Charitable Contributions

INCOME



–



EXPENSES

=



NET CASH FLOW

STEP 2.

NET WORTH STATEMENT

A snapshot of your financial health in terms of your assets and liabilities at a single point in time. It is used in conjunction with your cash flow statement to get a more complete picture of your financial health.

ASSETS – WHAT YOU OWN



LIQUID ASSETS – can be converted into cash without losing value

- Checking and Savings Accounts, Money Market Accounts

INVESTMENTS

- CDs
- Stocks, Bonds, Mutual Funds
- Annuities
- Retirement Accounts

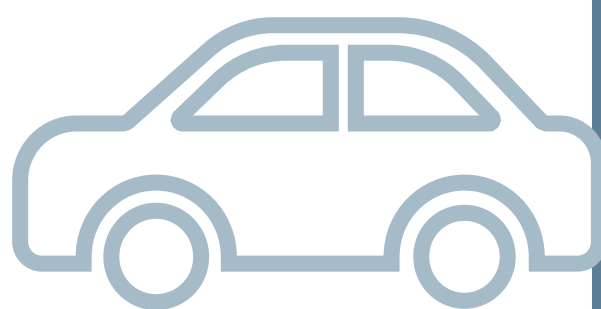
PERSONAL PROPERTY

- Real Estate
- Automobiles
- Boats
- Collectibles

LIABILITIES – WHAT YOU OWE



- Credit Cards
- Auto and Personal Loans
- Real Estate Mortgages
- Taxes Payable
- Other Liabilities



ASSETS



–



LIABILITIES

=



NET WORTH

BRINGING THEM TOGETHER

POSITIVE CASH FLOW



CONGRATULATIONS!

You've earned more than you spent. You can use that money to increase your net worth by acquiring new assets or paying off liabilities.



NEGATIVE CASH FLOW

UNSUSTAINABLE!

You've spent more than you earned and may be incurring debt or using important savings to cover your cash needs. You need to either increase your income or decrease your spending habits.

AN ADVISOR CAN HELP

Working with your advisor on your personal financial statements can help keep you on track to achieving your financial goals. Research has shown that this type of planning leads to better outcomes for those who take the time and make the effort.²



1 <https://smartasset.com/credit-cards/what-is-a-good-debt-to-income-ratio>

2 <https://www.cfp.net/docs/public-policy/2013-fin-planning-profiles-of-amer-households.pdf>

The opinions expressed and information contained in this article are given in good faith, may be subject to change without notice, and are as of the date issued. The accuracy and completeness of this information is not guaranteed. Since each client's situation is unique, please review your specific investment objectives, risk tolerance and liquidity needs with your advisor before a suitable investment strategy can be selected.

Private Banking and Trust services are offered through Boston Private Bank & Trust Company, a Massachusetts Chartered Trust Company. Wealth Management services are offered through Boston Private Wealth LLC, a U.S. Securities and Exchange Commission Registered Investment Adviser. Boston Private Wealth LLC is a wholly owned subsidiary of Boston Private Bank & Trust Company.

Boston Private Bank & Trust Company, its parent, its subsidiaries, and their staff, do not provide tax, accounting or legal advice. You should consult with your legal or tax advisor prior to taking any action relating to the subject matter contained in this article.



Investments are not insured by the FDIC or any other government agency, are not guaranteed by Boston Private Bank & Trust Company or its subsidiaries, affiliates or parent company. May lose value and are not a Bank deposit.

